

John Y. Ferry, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: JANUARY 22, 2009

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

John Y. Ferry
John Scales
James Lee
Mike Brown
Dan Lofgren
Steve Ostler
Gayle McKeachnie

STAFF

Kevin S. Carter
Ron Carlson
Dave Hebertson
Kim Christy
Jeff Roe
Kay Burton
Lisa Schneider
Doug Buchi
NormaLee McMichael
LaVonne Garrison
Tom Faddies
Elise Erler
Rodger Mitchell
John Andrews
Alexa Wilson
Stephanie Barber-Renteria
Rick Wilcox
Will Stokes
Eric Baim
Jim Davis
Lynda Belnap

OTHERS IN ATTENDANCE:

Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Natalie Gordon, Utah State PTA
Art Raymond, Deseret News
Malcolm Anderson, Southern California Edison
Brian McPherson, University of Utah
Dave Detton, Magnum Holdings
Craig Broussard, Magnum Holdings

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Chairman Ferry welcomed Board members, Staff, and guests to the meeting.

1. Approval of Minutes

The Board approved the Board minutes of November 18, 2008.

Lee / Scales. Unanimously approved.

“I move we approve the Board minutes of November 18, 2008.”

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

2. Confirmation of Upcoming Meeting Dates

Without motion, the Board confirmed the following upcoming meeting, making changes as indicated:

February - - no meeting

March 19 - - Salt Lake City

April 16 - - Salt Lake City (change from April 9)

May 14 - - Salt Lake City (change from May 13, 14 in the Uinta Basin)

June 3, 4 - - Uinta Basin (change from June 11 in Salt Lake City)

3. Chairman's Report

a. Beneficiary Report

Tim Donaldson noted that the beneficiaries had intended to report on the legislative audit of their office. However, it has been postponed until January 30 at 8:00. He gave the Board a copy of the Legislative audit done on the Community Councils. It was found that, given the myriad of directions that are given each year, all community councils are not totally complying with all of the laws. Mr. Lofgren stated that, as he has talked with several principals about their community councils, they are so very grateful for the funds that they get from the Trust Lands funds. They also complain that there are myriads of reports they do for these funds and wonder if there could be only one report for all information that is needed. Mr. Donaldson noted he will look into this.

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3. Chairman's Report (cont'd)

b. Report on Audit Committee Meeting

Chairman Ferry asked Mr. Carlson to report on the Audit Committee meeting, which was held January 20, 2009. Mr. Carlson reviewed the agenda of the Committee with the Board. The Committee feels that it should meet four times a year in lieu of just two times. They propose to meet in January, April, August, and November. This will not require a Charter change to change the meeting frequency.

The Committee was also informed that the agency is working on a Conflict of Interest form for employees to sign. Our legal group is still refining this form.

Mr. Carlson gave the Board a copy of the agency's Risk Assessment, which was asked for by the State Auditor's office. This was prepared by the agency and forwarded to the Auditor's office.

Mr. Carlson noted he has had authorization to approve journal entries and payments if the accounting people are all gone. The State Auditor's office views this as an internal control issue. Therefore, the committee felt like the Director's Administrative Assistant should be given this authorization. This is an infrequent task that would have to be performed by this person.

Mr. Carlson noted that the State Auditor's office had a finding in our recent audit regarding an accrual entry that was made at the end of the fiscal year. We had followed the State Auditor's procedure, but some of the elements of the procedure were not as current as they should have been. We have resolved this problem.

The committee also discussed whether the agency should have a more in-depth audit done. We have not had one of these for four years. After some discussion, the Board generally felt like the Audit Committee should make a recommendation to the Board as to whether or not the agency should have one of these audits and then ask the Board to vote on it. The cost of that type of an audit would be approximately \$24,000. The Committee will consider it again and bring it to the Board at a later date.

3. Chairman's Report (cont'd)

c. Review of Draft Five-Year Plan

Chairman Ferry expressed his appreciation to the Board members for their involvement in the subcommittees and to Staff for facilitating all these discussions. He thinks these discussions have been very good and healthy.

Director Carter reviewed the draft five-year plan with the Board through a power-point presentation. Each group reviewed their part with the Board. He noted that he asked Staff to have some things that need to be addressed this fiscal year and how they would foresee us moving ahead into future fiscal years. He anticipates we will have this discussion today and hopes to determine how the Board wants to proceed. Subcommittees can meet again in February to fine tune their plans and be ready for the Board to review a final plan in March.

The committees reviewed are:

Governmental Affairs: Mr. Andrews reviewed this with the Board. The committee members are Mr. Lee, Mr. McKeachnie, John Andrews, Kevin Carter, Jeff Roe, and Margaret Bird.

Land Tenure: Mr. Andrews reviewed this with the Board. The committee members are Mr. Lee, Mr. McKeachnie, John Andrews, Kevin Carter, Jeff Roe, and Margaret Bird.

Legal: Mr. Andrews reviewed this with the Board. The committee members are Mr. Lee, Mr. McKeachnie, John Andrews, Kevin Carter, Jeff Roe, and Margaret Bird. Mr. Lee stated that, on the FY 2010 Action Plan, bullet #1 of the power point presentation, he would like the words "or consultant" taken out. The review will be an internal review.

Oil and Gas: Ms. Garrison reviewed this with the Board. The committee members are Mr. Scales, Mr. Brown, LaVonne Garrison, Jeff Roe, and Margaret Bird (Mr. Lee also attended.)

Planning & Development: Mr. Buchi reviewed this with the Board. The committee members are Mr. Lofgren, Mr. Ostler, Mr. Buchi, Jeff Roe, and Tim Donaldson. It was noted that the Board members may have some expansion comments and suggestions for this plan.

Mining/Minerals: Mr. Faddies reviewed this with the Board. Committee members are Mr. Brown, Mr. Lee, Mr. Faddies, Jeff Roe, Margaret Bird, and Paula Plant.

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3. Chairman's Report (cont'd)

c. Review of Draft Five-Year Plan (cont'd)

Surface Group: Mr. Christy reviewed this with the Board. The committee members are Chairman Ferry, Gayle McKeachnie, Mr. Christy, Jeff Roe, and Paula Plant. (Mr. Lee also attended.)

Audit Group: Mr. Carlson reviewed this with the Board. The committee members are Mr. Ferry, Mr. Scales, Jeff Roe, and Margaret Bird.

Public Relations: Mr. Hebertson reviewed this with the Board. The committee members are Mr. Lee, Mr. McKeachnie, John Andrews, Kevin Carter, Dave Hebertson, and Tim Donaldson. Mr. Lee noted he thought the Board could be helpful in giving PR some names to be included in the contact list. Director Carter asked if any of the Board members would be interested in accompanying Staff on some of the Speaker Bureau events? Chairman Ferry indicated he would be interested in attending those in his area.

Block Planning: Mr. Burton reviewed this with the Board. The committee members are Mr. Ferry, Mr. McKeachnie, Mr. Burton, Jeff Roe, and Paula Plant. (Mr. Lee attended also.) Mr. Lee indicated the words (on Page 47 of the plan) "outsourcing of planning for non-priority blocks" should be taken out of the plan.

Information Technology: Mr. Roe reviewed this with the Board. He attended all the group meetings.

Accounting: Ms. Schneider reviewed this with the Board. The committee members are Mr. Ferry, Mr. Scales, Lisa Schneider, Ron Carlson, Tim Donaldson, and Jeff Roe.

Chairman Ferry reviewed the calendar of events for the completion of this plan. In March there will be a presentation of the final draft of the plan. Committees may need to meet to do some fine tuning of the plans. Director Carter noted he will glean out the FY 09 materials that are not needed to commence the 2010 Actions Plans. It was noted the Planning and Development subcommittee will meet again; other committees will do their fine tuning via e-mail. Director Carter will summarize these tasks and send to the committees. If the Board feels we should do anything further, we can pursue that.

4. Director's Report

a. Director's Update on Issues

Director Carter reviewed the following issues through a power-point presentation:

- * Market Analysis
 - * Surface
 - * Land auctions
 - * Real estate development
 - * Mineral Activities
 - * Coal and oil
 - * Hardrock
 - * Gas
 - * Ongoing bright spots
 - * Oil shale
 - * Industrial development
 - * Emery County
 - * Port 15
 - * Fort Pierce
 - * New opportunities
 - * Carbon Sequestration
 - * Alternative Energy
 - * Geothermal
 - * Solar
 - * Wind
- * Legislative Issues
 - * Budget
 - * Our budget hearing is February 11 at 2:00 p.m.
 - * Other budgetary issues
 - * Legislation
 - * Rewrite of DNR code
- * WSLCA Meeting
 - * Overall flavor
 - * Permanent funds
 - * Letter to Congress
 - * Alternative Energy
 - * Land Exchanges

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4. Director's Report (cont'd)

b. Associate Director's Report

I. Potential Carbon Sequestration Lease Transaction

Mr. Andrews reviewed this item with the Board. It was for information to the Board at this point on a lease transaction on which Staff is working. If it comes to conclusion, it will be brought back to the Board for approval. We are just at the beginning of discussions on this proposal.

Mr. Andrews introduced some guests and asked them to give the Board some background. Malcolm Anderson, Project Manager for Southern California Edison, gave the Board some background information on the project. Dr. Brian McPherson, of the University of Utah College of Civil Engineering, reviewed some of the ongoing projects and some upcoming projects.

Mr. Lee asked about the Letter of Intent and why we are signing it, since it is non-binding. Mr. Andrews stated that the Department of Energy requested some documentation of some of the requirements for a grant. The Letter of Intent provides that information. Mr. Lee noted the Letter of Intent has no legal authority in the State of Utah. Mr. Andrews noted we have retained outside counsel who specializes in carbon sequestration to help us on this transaction.

II. Discussion of Board Role - Magnum Holdings Other Business Arrangement

Mr. Andrews noted that, when this was approved by the Board a few months ago, it was asked that Mr. Lee approve the final document before signing. Mr. Andrews has worked with Mr. Lee, and Mr. Lee has a concern regarding assignment of the lease and the Board's role therein. He and Mr. Lee have had discussion on how a proposed assignment would be taken to the Board. He showed the Board some language that has been added to the agreement regarding assignment and subleasing of the lease, which language is acceptable to the Staff, the lessee, and Mr. Lee. Mr. Lee stated that, even though this is an OBA that needs to be approved by the Board, the Board does not necessarily have to approve the assignment of the lease. Mr. Lee wanted language in the agreement that the Director or his designee should bring the information to the Board to inform them of the assignment that the Director has approved.

4. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

III. Update on Recreation Land Exchange

Mr. Andrews updated the Board on the Recreation Land Exchange. This bill is not part of the omnibus bill that was approved by the Congress because it had some revenue issues. This leaves us in a position where we need to really look at how we proceed with further land exchanges. He noted this might be a good item to schedule for discussion for a future Board Meeting. It doesn't make any sense to keep spending money on this exchange. Staff would appreciate any thoughts the Board might have on how to proceed with land exchanges.

Mr. Andrews noted the Washington County land bill was part of the omnibus bill and did pass. This will affect land sales in the Desert Tortoise habitat area. It will also free up some lands that were previously in WSA areas.

c. Development Group Report

I. Ivory Transaction Review

The Board went into closed session for the discussion of real estate values.

Lofgren / Lee. Unanimously approved.

"I move that we go into closed session for the purpose of discussing real estate values."

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

The Board went into closed session at 2:08 p.m. Those in attendance were Board members, Kevin Carter, Doug Buchi, John Andrews, and Tim Donaldson.

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4. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Ivory Transaction Review (cont'd)

The Board returned to open session at 2:28 p.m.

Scales / Brown. Motion approved.

“I move that we authorize Staff to move forward as requested and resolve the remaining outstanding issues and bring the transaction back to the March meeting.”

Roll Call:

Mr. Scales - - yes

Mr. Lee - - no

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

II. Development Revenue Review

Mr. Buchi gave the Board a chart showing projected revenue changes in the Planning and Development Group and discussed it with the Board. It appears revenue will be down overall approximately 40 percent.

5. Consent Calendar

Approval

a. Adoption of Grazing Fee Formula & Fees For the 2009/2010 Grazing Season

The Board had no concerns on this item, so it is approved. The grazing fees for the 2009/2010 season are \$3.86/AUM + \$.10 weed fee for scattered lands and \$6.50/AUM + \$.10 weed fee for block lands.

Notification

b. Fee Waiver Report

The Board had no questions on the Fee Waiver Report.

Meeting adjourned at 2:50 p.m.